

## Message Text

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46

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01 FSE-00

ABF-01 DRC-01 /170 W

----- 127625

R 301645Z NOV 73

FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 5182

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY LONDON

UNCLAS DUBLIN 1580

E.O. 11652: N/A

TAGS: EFIN, EI

SUBJ: IRISH BANKS RAISE INTEREST RATES

REF: DUBLIN 1537

1. IRISH BANK'S STANDING COMMITTEE ANNOUNCED RISE IN LENDING RATES OF 1.5 PERCENT EFFECTIVE FROM COB NOVEMBER 30.

LENDING RATE STRUCTURE NOW AS FOLLOWS:

| CATEGORY | UP TO ONE<br>YEAR | 1-3<br>YRS | 4-5<br>YRS | 5-7<br>YRS | OVER<br>7 YRS |
|----------|-------------------|------------|------------|------------|---------------|
| AAA      | 12.50             | 13.00      | 13.50      | 14.00      | 14.50         |
| AA       | 13.25             | 13.75      | 14.25      | 14.75      | 15.25         |
| A        | 14.00             | 14.75      | 15.50      | 16.00      | 16.75         |

2. BANK DEPOSIT RATES ALSO INCREASED BY FROM 1 TO 2 PERCENT.

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STRUCTURE NOW AS FOLLOWS:

LESS THAN 5000 POUNDS 8.00

5000 - 25000 POUNDS 10.50

OVER 25000 POUNDS 12.00

3. RISE IN RATES IS SIXTH THIS YEAR AND WAS INDUCED BY RECENT RISE IN BRITISH RATES. MOST RECENT BRITISH RISE HAD LEFT 3 PERCENT DIFFERENTIAL BETWEEN BRITISH AND IRISH PRIME LENDING RATES AND THREATENED CAPITAL OUTFLOW FROM IRELAND TO UK. GAP IS NOW 1.5 PERCENT, WHICH CENTRAL BANK POINTS OUT WILL PRESERVE ADVANTAGE FOR IRISH INDUSTRIAL BORROWERS.

4. IRISH TIMES NOTED THAT DIFFERENTIAL BETWEEN PERSONAL OVERDRAFT RATE (14 PERCENT) AND MINIMUM DEPOSIT RATE (8 PERCENT) HAS WIDENED BECAUSE RATE ON MINIMUM DEPOSITS RAISED ONLY ONE PERCENT. THIS WILL HURT PRIVATE INDIVIDUALS AND BENEFIT BANKS RESOURCES. JUSTIFICATION FOR SMALLER INCREASE IN MINIMUM DEPOSIT RATE IS GIVEN AS NEED TO AVOID FURTHER RISE IN BUILDING SOCIETY RATES WHICH COULD PRECIPITATE HIGHER MORTGAGE RATES.

5. IRISH INDEPENDENT POINTS OUT THAT NEW PRIME RATE OF 12.5 PERCENT COMPARES REASONABLY WELL WITH BRITISH AND GERMAN PRIME RATES OF 14 PERCENT AND FRENCH RATE OF 12.5 PERCENT. CENTRAL BANK SAID IT HAD CONSIDERED CONFINING RATE INCREASES TO NEW CREDIT OR OVERDRAFTS BUT FELT THIS IMPRACTICAL. CENTRAL BANK REDISCOUNT RATE WILL PROBABLY RISE BETWEEN 12 AND 13 PERCENT. SORENSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BANK LOANS, INTEREST RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 NOV 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Line Count:** 91  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** DUBLIN 1537  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** kellerpr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 21 AUG 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <21-Aug-2001 by maustmc>; APPROVED <25-Jan-2002 by kellerpr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** IRISH BANKS RAISE INTEREST RATES  
**TAGS:** EFIN, EI  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005